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# Programme and Budget Committee

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## PROGRAMME AND BUDGETS, 1998-1999

### Informal open-ended working group on personnel and financial aspects related to staff reductions

Report by the Chairman (H.E. Mr. M. F. Khalil, Tunisia)

**Summary**

Reports on the work of the informal open-ended working group established by the Programme and Budget Committee in its conclusion 97/11.

1. In its conclusion 97/11 adopted on 7 November 1997, the Programme and Budget Committee established an informal open-ended working group to examine all relevant aspects relating to staff reductions to be undertaken in 1998, including policy criteria for such reductions and modalities for their financing, as outlined in document PBC.13/14/5/Rev.1, adjusted in PBC conclusion 97/10 on the programme and budgets, 1998-1999. In the same conclusion, the working group was requested to finalize its report by 17 November 1997 for submission to the Committee during a resumed thirteenth session for half a day, on 19 November 1997. The working group held meetings on 11, 12, 14 and 17 November 1997.

**A. Personnel aspects**

2. The working group considered the human resource requirements of UNIDO in 1998-1999, recruitment patterns during the last four years, characteristics of the current staffing establishment of the Secretariat, the criteria adopted and experience gained from the 1995-1996 staff separation programme, which consisted of a voluntary and a non-voluntary phase, geographical and gender balance, legal aspects including provisions of the UNIDO Constitution, the Staff Regulations and Rules, conditions of service within the United Nations Common System, and relevant jurisprudence. The working group further considered the need for equitable treatment of staff and for transparency in the forthcoming staff separation programme, and the need to keep the cost involved in the staff reduction process to a minimum.

3. The working group discussed specifically the so-called principle of "last-in first-out" in connection with staff members with five years of service or less. Some delegations were of the opinion that the need for the continued service of such staff should be carefully examined. Others felt that all staff should receive equitable treatment and consideration, and special focus on a particular group of staff would be tantamount to discrimination. A note of caution was expressed with respect to the "last-in first-out" principle in that if seniority were overemphasized, the result might be an age

distribution of the UNIDO staff with bias on seniority. In addition, the Organization would not be able to attract young people.

4. The working group took note of jurisprudence of the International Labour Organization and United Nations administrative tribunals which, based on the staff regulations of other organizations in the United Nations system, establishes the obligation for the payment of termination indemnities to fixed-term staff upon abolition of post or reduction-in-force.

**General principles**

5. Based on its review, the working group concluded that the Director-General should be guided by the following policy and guiding principles when implementing the forthcoming staff separation programme:

(a) Post abolitions should occur on programmatic grounds. Namely, on the basis of the Business Plan and the programme and budget allocations approved by Member States for major programmes, programmes and subprogrammes;

(b) The implementation of the staff separation programme should be so conducted as to preserve the human resources with the qualifications, skills, competence, integrity, efficiency and devotion to duty required by the Organization, for the implementation of priority programmes and essential functions defined in the programmatic decisions adopted by the policy-making organs. Throughout the staff separation programme due regard should be paid to geographical and gender balance in the Professional category within the provisions of the Staff Regulations;

(c) The Director-General should also apply the above guiding principles when considering applications from staff for voluntary separation.

6. Staff separations should take place in two phases, a voluntary and a non-voluntary one.

**Voluntary phase**

7. A voluntary separation programme should be promulgated and concluded at the earliest possible time. As an incentive for voluntary separation from service, the increased termination indemnity which is payable under the Staff Regulations to holders of permanent appointments should also be payable to holders of fixed-term appointments with service of five years or more as at 31 December 1997.

8. Within the legal framework provided by the Staff Regulations and Rules of the Organization, all staff at the age of 55 years and above with 25 or more years of service should be specifically addressed to ascertain their interest in voluntary separation. Where separation payments would exceed the amount earned until mandatory retirement age, staff members whose services are required would remain in service and their employment costs would be paid from the termination indemnity reserve fund.

**Non-voluntary phase**

9. Staff members whose posts will be abolished should be considered on a priority basis for vacant posts, provided they possess the requisite qualifications and have a satisfactory service record. This would minimize staff separations and related costs. Retraining to redeployed staff should be provided as appropriate.

10. The non-voluntary phase of the staff reduction programme will include a comparative review of staff in accordance with the provisions of staff rule 110.02 which provides for the preferential retention of permanent over fixed-term staff under certain conditions: namely, when there are suitable posts in which their services can be effectively utilized and provided that due regard is paid in all cases to relative competence, integrity and length of service. Nationality considerations would be taken into account within the provision of this staff rule.

11. Fixed-term staff with five or more years of completed service whose appointments are not renewed due to abolition of post or reduction-in-force, should receive termination indemnity in accordance with Schedule IV of the Staff Regulations.

**Recommendation**

12. The working group recommends to the Programme and Budget Committee the approval of the implementation of the staff separation programme, resulting from the 1998-1999 programme and budgets, in accordance with the policy and guiding principles described in paragraphs 5 to 11 above.

**B. Financial aspects**

13. In the light of the preceding recommendation (para. 12), the working group considered that the financial aspects constitute an integral part of the adopted budget.

14. When considering the financing modalities of the staff separation reserve, the working group discussed the financial difficulties facing the Organization as a result of late or unpaid assessed contributions. The working group was of the view that the financial difficulties of the Organization, as well as the financing of staff separation

would be alleviated by Member States meeting their financial obligations for assessed contributions. Outstanding assessed contributions should be paid as soon as possible. In this respect, the group recommended that meetings of the open-ended discussion group on timely payment of assessed contributions be reconvened as soon as possible to seek solutions to the problem of late or unpaid assessed contributions. The working group suggested that ideas should further be explored, including payment of assessed contributions in local currency, establishment of payment plans and special measures to address the specific difficulties of LDCs and countries facing crisis situations.

15. A suggestion was also made to reduce the number of staff who would have to leave the Organization due to the budget reductions envisaged. This could involve a more flexible use of the instrument of job sharing and staff foregoing salary increase entitlements related to cost-of-living increases budgeted under the recosting section of the budget. Some members of the working group felt that further consideration of this suggestion could be explored, including discussions with staff representatives. Reference was made to the voluntary nature of such proposals and the need to adhere to Staff Regulations.

16. The group discussed a possible financing modality to fund the staff separation programme. It was noted that the approval of unutilized balances from 1994-1995 would only provide a partial solution and cash advances would be required. The working group did not support external borrowing. In respect of financing, a suggestion was made that Member States could agree to pay in 1998 the same level of assessed contributions applicable for 1997. The contributions for 1998 would cover, in total, the approved budget and separation indemnity reserve advances. In order to ensure that 1998 contributions are at or below 1997 levels, a downward revision of the financial estimates for terminations would be required. This could be achieved if vacant posts are utilized, to the extent possible, to accommodate staff. Although the proposal was generally supported, some Member States were unable to agree, particularly in the absence of a demonstrated improvement in the level of outstanding assessed contributions.

**Recommendations**

17. The working group agreed on the following recommendations:

(a) Member States should pay outstanding assessed contributions as soon as possible;

(b) The use of unutilized balances from 1994-1995 to fund the staff separation reserve should be considered;

(c) The additional cash resources for the staff separation reserve, to supplement the present balance in that reserve, could be secured by advances from Member States on the understanding that total assessed contributions for 1998 for the budget and staff separation reserve would not exceed 1997 assessed contribution levels.

**Explanatory note regarding paragraph 17 (c)**

18. Positions expressed by delegations on paragraph 17 (c) fell into three main categories:

(a) Those delegations who considered that cash resources under paragraph 17 (c) could be secured by voluntary advances from Member States, pending the payment of outstanding assessed contributions;

(b) Those delegations who considered that the additional cash resources under paragraph 17 (c) could be secured by mandatory advances from Member States, pending the payment of outstanding assessed contributions;

(c) Those delegations who considered that the additional cash resources under paragraph 17 (c) should not be secured by advances from Member States but rather should come from early payments of outstanding assessed contributions, including for both 1994-1995 and 1996-1997.